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Chapter 1 Message from the CEO

Fulfilling our Centennial dream: View from halfway to ¥10 trillion

Since our founding in 1955, the Daiwa House Group has remained true to its founder's vision, "Doing things because they will be of service to society." As a result, in fiscal 2023, we booked net sales of over ¥5 trillion, the halfway point to his dream of ¥10 trillion in sales by our 100th anniversary. We reached this milestone doing things in a signature Daiwa House way—executives and employees acting as one to develop a range of ideas, execute them, and move toward our target while building a broad business portfolio over the years.

Our Hopes for the Future defines our Purpose as bringing about "a world where we live together in harmony embracing the Joys of Life." We have six core segments working to achieve such a society: Single-Family Houses; Rental Housing; Condominiums; Commercial Facilities; Logistics, Business and Corporate Facilities; and Environment and Energy. Looking back, we achieved our medium-term management plan sales targets of ¥2 trillion, ¥3 trillion, and ¥4 trillion on schedule, but the ¥5 trillion mark after a one-year delay due to the unanticipated COVID-19 pandemic. Still, this period was an opportunity to review and revamp our

business portfolio ahead of the next stage. We believe it would be difficult to achieve sales of ¥10 trillion just by growing our existing businesses, so creating new ones, and bringing up personnel capable of developing new ones, is of utmost importance.

In this context, we decided to set up a corporate venture capital (CVC) fund involving start-up investments of up to ¥30 billion to develop new business models and markets. We also launched an in-house entrepreneurship program on the view that addressing societal issues should be a driving force of human capital development. This will also invest up to ¥30 billion. We will sow the seeds during our current medium-term management plan (the 7th Plan) and develop businesses that will become our next growth drivers in the eighth plan and beyond.

Keiichi Yoshii

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President, CEO

Elsewhere, we are using our Livness Town Project to revitalize communities. We think responsible consumption and production, one of the UN's sustainable development goals (SDGs), is something we, a construction company, should embrace. We intend to fulfil our responsibilities as a manufacturer for residential complexes we built more than 50 years ago by tackling local issues such as aging and vacant houses head on. We provide environments that encourage connections between people by opening community spaces and holding events to revive interactions among local residents and enliven communities. Despite many hurdles, progress along the revitalization path is gradually coming into view as cross-generational interaction at housing complexes and growing ties with industry, government, and academia.

The Daiwa House Group has broadened its sphere of operations in response to society's needs, with housing at the heart of all of our businesses. We craft buildings to bring happiness to people who live in or use them. We also contemplate how to continue providing value and maintaining ties with customers long term.

Early 2024 witnessed the Noto Peninsula Earthquake and an aircraft collision at Haneda Airport, stark reminders of natural threats and the preciousness of life. We set up a first-response headquarters for the earthquake

on January 2, checking on the safety of our sites and customers, and are sparing no effort to assist rebuilding. Natural disasters are inevitable events that reinforce awareness of how important it is to always be prepared for risks and crises.

Year Two of the 7th Plan: Review and Future Initiatives

Overseas growth strategy

How to develop the overseas business into the next growth driver has been on my mind ever since I was in charge of it. Our fourth president, Keiichi Uemura, who headed the overseas businesses in the 1980s before the advent of cell phones, brought all his knowledge and experience to bear to develop businesses overseas in the US, South America, and Southeast Asia. Thanks to his legacy, we now operate optimal businesses in diverse regions. Ultimately, my dream is to export the Daiwa House business model and roll out our single-family houses, rental housing, commercial facilities, and other businesses around the world in a quest for growth across broad business territories.

We see the US as a particularly pivotal area among our



overseas businesses. Orders slowed down temporarily in the first year of the 7th Plan amid unexpected rises in US mortgage rates and a spike in building-material prices. However, efforts to reduce construction times onsite and optimal selling methods drove solid growth in the number of units delivered by our three US single-family house builders (Stanley Martin, Trumark, and CastleRock).

We get a lot of questions during dialogues with institutional investors about the three companies we acquired in the US. How to keep on delivering quality housing is an important issue in expanding our business there. The three companies we welcomed

to the Group are familiar with the areas they operate in and have leveraged their knowledge of local needs to provide living environments a cut above others. We share our expertise with them and learn much in return. In the US, the subdivision (built-for-sale) business is mainstream, and sales per employee in our three US companies exceed those of our domestic single-family house business. I would like to run highly productive businesses across the Group, sharing the best of what each business unit has to offer.

In fiscal 2023, CastleRock branched out into Arizona and Tennessee, and Trumark into central California. In May 2024, Stanley Martin announced the acquisition of Prestige Corporate Development, a land developer and general contractor based in Charlotte, North Carolina. The three companies are spurring each other on to develop their businesses, and their CEOs regularly get together to discuss how to grow the US housing operations. In April 2024, they convened in Colorado to hold detailed discussions on how to achieve the goals of the 7th Plan.

I keep a close eye on their appetite for growth, and seeing their hunger and the way they independently develop and execute strategies gives me great hopes for the future. Going forward, we will liaise closely with them so they fully understand the Group approach and

collaborate in rental housing and commercial facilities in addition to single-family houses, just as in Japan. The aim is growth across broad business territories by rolling out the Daiwa House model in the US. In this context, after initially saying it could only deal with single-family houses, Stanley Martin is showing interest in expanding its sphere of operations with rental housing and condominiums in its sights.

Regarding “industrialization” of the US single-family houses business, rather than imposing technologies we have developed in Japan, we share potentially useful expertise and knowledge with our three US subsidiaries by bringing representatives to Japan to see our factories and construction sites. In the US, wages are high and labor is scarce, so industrialization is a key to our companies’ growth. We will continue to focus on expanding the US business by stabilizing quality by sharing expertise on industrialization and off-site manufacturing and providing support for streamlining supply chains through group purchasing.

Strengthening built-for-sale business in domestic single-family houses business

Amid sluggish new housing starts, the domestic single-family houses business is revamping operations by strengthening its subdivision (built-for-sale) business.

We think we will be able to provide our products and services to more customers by expanding our lineup in more affordable price bands. One example is Ready Made Housing, subdivided housing with custom-built quality offering value in excess of price. This proposal, launched recently, combines the quality we have developed over many years as a home maker and long-term support.

Expanding the subdivision business is intended to provide quality buildings at a low price as design costs are lower than built-to-order housing. We have started to strengthen this business in Kyushu and results are gradually emerging. In fiscal 2024, we will roll it out across the country, striking a balance between built-for-sale and custom-built houses, area by area.

Focusing on environmental business; creating social value

With natural disasters increasingly common, we feel duty-bound to assist in efforts to achieve carbon neutrality, as proposed by the Japanese government. In principle, we aim for all newbuilds we deliver to be net-Zero Energy Houses (ZEHs) or net-Zero Energy Buildings (ZEBs) equipped with solar systems by fiscal 2030, on the way to carbon neutrality by 2050. Though each business faces a different set of challenges, we are rolling out the ZEH and ZEB approach across



product development, sales, design, and construction, an undertaking that is progressing well. Confident in our industry-leading supply track record, we are working to create social value considerate of the well-being of our buildings' occupants and their safety and security in emergencies. In addition to our Group's accumulated knowledge, we work to utilize exterior-wall, roof-material, and other manufacturers' expertise and collaborate with partners who share our aspirations to create value.

Many customers prefer wooden buildings, so we launched the Future with Wood project and are working

to create even non-residential buildings of timber-frame and lignin construction, a promising growth market. We hope to develop the wooden building business into a new growth driver while bolstering the sustainable supply chain and running the business a nature-positive way that maintains and restores ecosystems.

Reworking our corporate philosophy to reinforce management foundation

Human capital management for further growth

In line with our corporate creed of "developing people through business" and "progress depends directly on ensuring a good working environment for employees," we have emphasized human capital as the source of value creation. I think the essence of management is the process that leads to the growth of people and the company, fostering employees' growth through businesses that serve society, which then go on to create new businesses that benefit society further.

Our corporate creed incorporates our founder's thinking at the pinnacle of the Group's business philosophy. We have rebuilt this, formulating Our Hopes for the

Future (Purpose) as a fresh guide on the path to our Centennial. We also set out five values to embrace that will carry us toward our goal. Inculcating this fresh philosophy and fostering a culture where people of diverse backgrounds and thinking are respected and celebrated, we hope to be a company that allows every individual to be their best. We will help our human resources develop while reforming our training systems to suit the times, also to achieve sustainable growth for the company.

Dealing with "2024 problem"

Since fiscal 2021, our Group has been preparing to deal with cost pressures due to labor shortages and lengthening construction periods in our industry while adopting two days off a week (eight days every four weeks) at all of our construction sites. Laws limiting overtime in the construction and logistics industries came into effect in April 2024, prompting the "2024 problem." In framing fiscal 2024 earnings forecasts, we were sure to allow adequately for changes in our processes and budgets, recognizing our obligation to take better care of the construction partners whose work underpins our worksites, and our utmost priority of complying with the law. We are also working to improve work styles by lifting the share of the subdivision business, where we can flexibly manage construction schedules in order to

boost productivity and have appropriate construction schedules. We have taken measures to make overtime hours visible and are instructing managers to avoid having subordinates work excessive hours. We set up a "CEO's 2024 Problem Box" so employees can report circumstances directly to me if abuses occur and are using submitted information to identify causes of long working hours and formulate solutions for company-wide implementation.

The logistics industry has layers of subcontracting, making dialogue among operators difficult, and the 2024 problem is a major issue. As the leader in logistics facility development, our efforts go beyond construction. We will offer a broad range of solutions, including ones using digital transformation, to reform work styles, improve conditions for truck drivers, and reduce work hours.

Lifting corporate value through nimble management responsive to prevailing conditions

At the start of each year I choose a kanji to symbolize the year, and in 2024 I selected shin, "growth." It encapsulates our desire to grow both people and earnings flexibly in a range of circumstances, including

environmental change. It is also one of the characters in the name of Nobuyasu Ishibashi, our CEO for three years from 1996. At that time, when the environment was less of an issue, he declared that companies that do not fulfil their social obligation to the environment, would not be able to survive. He explained the importance of engagement for the environment and got into the environmental business. His approach in mind, I too feel a strong personal desire to pursue what is important for our time and achieve further growth.

The Daiwa House Group has grown to where we are today thanks to the determination and drive of each individual employee to achieve numerical targets and their ability to press ahead once a decision is made. That our founder's words and philosophy have been handed down to the present is testimony to our record of human and corporate development. But simply forcing employees to meet the stretch net-sales target of ¥10trillion would not just be missing the point. We will manage the Group flexibly to grow earnings as we adapt to a range of circumstances while remaining attentive to proper governance, employee motivation and working conditions, and the environment.

